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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003605

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TAGS: [ECON](#) [ENV](#) [ELAB](#) [CH](#) [TW](#)

SUBJECT: CROSS-STRAIT ENTRY PERMITS - REDUCING TAIWAN'S  
COMPETITIVENESS

Classified By: AIT Director Douglas H. Paal, Reason 1.4 (B/D)

#### Summary

1. (U) Summary: A persistent complaint of multinational firms in Taiwan is the difficulty of bringing PRC employees to Taiwan for meetings, training, research, or other temporary assignment. Some firms have learned how to work the system and bring a relatively large number of Mainland employees to Taiwan on a regular basis. However, many firms complain that the process requires too much documentation, takes too long, and does not meet the needs of multinational firms even when it works. The Taiwan government has taken some steps to improve the process and has more changes on the drawing board that will address some of the problems but not all of them. As in other areas of cross-Straits commerce, many firms have found a way to get what they need within the limitations of a flawed system. Nevertheless, if the Taiwan government doesn't get serious soon about liberalizing this and other obstacles in its cross-Straits economic relations, the trend toward marginalization will continue. (End summary.)

#### Perennial Problem Becoming More Important

2. (U) Multinationals with offices in Taiwan have long complained about the restrictions Taiwan imposes on PRC employee travel to Taiwan. This problem was highlighted in the American Chamber of Commerce in Taipei's annual white paper in 2004 as well as previous years. The European Chamber of Commerce highlighted this issue in its White Paper issued in October 2004. Multi-nationals point out that these impediments make it hard to do business in Taiwan, particularly for firms trying to manage greater China or East Asian operations from a Taiwan headquarters. As more firms invest in the Mainland and the PRC labor market grows more competitive, the need to bring PRC employees to Taiwan, especially for training, grows more important.

#### It Can be Done

3. (C) Despite the difficulties, some multinational firms have learned to navigate the system and bring Mainland employees to Taiwan on a regular basis. Taiwan's Ford subsidiary, for example, brought about 100 employees to Taiwan last year for training and will bring about the same number this year. United Airlines on the other hand, brought two employees over in 2003 for training and since decided it was too difficult and time consuming to do so again. Motorola brings a handful of Mainland employees to Taiwan each year but uses a consulting firm to process the Taiwan entry permits for them. In all, multinationals in Taiwan brought 816 Mainland visitors in the first ten months of 2004 compared to 381 during all of 2003. Taiwan firms, which are subject to more restrictions than multinationals, brought 971 visitors through October this year and 227 in 2003. By comparison, thousands of Taiwan businessmen fly to and from the PRC every day.

#### Too Many Documents

4. (U) The Taiwan government requires an inordinate number of documents for entry permit applications for PRC nationals employed by Taiwan-owned firms or multinationals operating on the Mainland. For professional employees (who must have worked for the multinational or Taiwan-owned firm for at least three months) coming to Taiwan for a short visit, an application and at least nine other documents are required. The documentation required to show the legitimacy of the inviting company and its investment in the PRC is particularly burdensome. The firm must provide copies of the Taiwan company license; Taiwan income tax report for the previous year; letter of authorization to invest in the PRC and notification of investment )- for Taiwan firms )- or documentation showing that the firm's Taiwan presence is a foreign investment )- for multi-nationals; PRC business

license; and PRC business authorization certificate. Clearly, Taiwan officials are aware of the burdensome nature of the process. When AIT officers ask simple questions about how the process works, the response generally includes an offer to help facilitate the process if AIT would like to refer cases to Taiwan agencies.

#### It Takes Too Long

15. (C) The Taiwan government claims that for routine cases entry permits can be issued to PRC employees of multinational firms in ten working days once all the documents have been gathered. However, multi-national firms report that the Taiwan government rarely meets the ten-day approval goal. Taiwan offers a "one-stop" window for entry permit applications at the Bureau of Immigration. However, the Bureau of Immigration must then distribute the application to the agencies that must also approve it, namely the Mainland Affairs Council (MAC) and local police in the jurisdiction where the visitor will stay. According to Robert Wang, government programs executive for IBM Taiwan, the Bureau of Immigration will not ensure that other agencies meet the ten-day time limit. Wang reported that the process is often delayed by local police visits to the inviting company or even the home of the sponsoring individual. IBM brought about 30 employees to Taiwan in 2003 and will bring more by the end of 2004. In Wang's experience, approval of the entry permit usually takes about a month.

16. (C) In addition, after Taiwan approves the entry permit, the inviting firm must then apply for a PRC exit permit. Businesses in Taiwan report that the PRC exit permit application cannot be submitted without the approved Taiwan entry permit, so the two cannot be processed simultaneously, substantially lengthening the entire process. Businesses report that approval of the PRC exit permit takes up to a month. According to Y.M. Yen, Employee Services Manager of Ford Lio Ho Motor Company, Taiwan's Ford subsidiary, even a firm that has considerable experience navigating this process like Ford needs at least two months to prepare the paperwork and obtain the entry and exit permits. For a firm new to the system it can take six months.

#### Too Many Limitations

17. (U) Unfortunately, even after the time and trouble involved in getting an entry permit, multinational firms still complain that what the Taiwan government offers doesn't meet their needs. First, Taiwan generally only issues single entry permits for stays of short duration. For most business travelers the entry permit allows a two-month stay extendable up to a total of four months. For intra-company transfers or technological research, longer stays are allowed. However, in nearly all cases, Taiwan will only issue a single-entry travel document, which is renewable in some cases. This is particularly burdensome for visitors staying for longer durations, but causes problems for short-term travel as well. It does nothing for executives and senior technical and marketing staff who need the ability to travel frequently.

18. (U) In addition, except for transferees and researchers, Taiwan will not issue travel documents for spouses or other family members who wish to accompany the visitor. Businesses find this limitation especially problematic for longer-term trainees who may be staying in Taiwan for up to four months. Furthermore, even for long-term visitors, Taiwan has no system in place at this time to provide work permits. This can prevent long-term visitors from opening a bank account, renting an apartment, obtaining a driver's license, etc. Finally, the number of entry permits issued to employees of a single firm each year is limited for some firms. Many multinationals, depending on the size of their presence in Taiwan, are not subject to a quota. All Taiwan-owned firms have a quota based on the amount of capital the firm has invested in Taiwan. The maximum quota is 30 visits per year, a minuscule fraction of the number of trips employees of any of these companies take to the PRC in a year.

#### Reformed Already, More on the Way

19. (C) The Taiwan government has made some effort to simplify the process of applying for Taiwan entry permits and reduce the time required for approval. A package of simplifications was approved in 2002. MAC Department of Economic Affairs Director Fu Don-cheng told AIT that another set of reforms is awaiting Executive Yuan approval and should be implemented within the next two months. He would not provide a copy of the proposed changes, but said they included simplification of the application form, lengthening the maximum stay for most short term visitors to six months, allowing spouses and one other relative to accompany short-term visitors, and expanding the quota that Taiwan and some foreign-owned firms are subject to. He said the

proposed reforms should be available within the next two weeks. We will report on the proposed changes septel when they are released. In addition, the Ministry of Economic Affairs recently announced that PRC employees of high-tech firms with special skills will be able to apply for permanent residency after a two year stay in Taiwan. The Council of Labor Affairs is also working on a proposal to grant work permits to PRC employees on long-term temporary assignment in Taiwan that should be implemented sometime next year.

Comment

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10. (C) As in other areas of cross-Strait commerce, many firms have found a way to get what they need within the limitations of a flawed system. The market has also stepped in to help them as demonstrated by the availability of consulting services to assist in obtaining entry permits. Nevertheless, the entry permit process for Mainland visitors is another example of how Taiwan's cross-Strait restrictions reduce Taiwan's competitiveness. Others include lack of direct air links, import bans, prohibited categories of investment, and currency exchange restrictions. These impediments make Taiwan firms less competitive when it comes to taking advantage of business opportunities in the Mainland, and discourage foreign firms from conducting greater China business from Taiwan. Many observers believe that multinationals are increasingly bypassing Taiwan altogether as a small market on the fringe of China. As a result, Taiwan firms that want to remain competitive in regional and world markets face growing pressure to move management and other operations to the Mainland along with manufacturing. If the Taiwan government doesn't get serious soon about liberalizing this and other obstacles in its cross-Strait economic relations, the trend toward marginalization will continue. (End comment.)  
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